



Senate

General Assembly

File No. 731

January Session, 2001

Substitute Senate Bill No. 1388

Senate, May 10, 2001

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE NEIGHBORHOOD ASSISTANCE ACT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-633 of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 The Commissioner of Revenue Services shall grant a credit against
4 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or
5 212 in an amount not to exceed [forty] fifty per cent of the total cash
6 amount invested during the taxable year by the business firm in
7 programs operated or created pursuant to proposals approved
8 pursuant to section 12-632, provided a tax credit not to exceed [sixty]
9 seventy-five per cent may be allowed for investment in certain energy
10 conservation and employment and training projects as provided in
11 section 12-635.

12 Sec. 2. Section 12-634 of the general statutes is repealed and the

13 following is substituted in lieu thereof:

14 The Commissioner of Revenue Services shall grant a credit against
15 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or
16 212 in an amount not to exceed [forty] fifty per cent of the total cash
17 amount invested during the taxable year by the business firm in
18 programs operated or created pursuant to proposals approved
19 pursuant to section 12-632 for planning, site preparation, construction,
20 renovation or acquisition of facilities for purposes of establishing a
21 child day care facility to be used primarily by the children of such
22 business firm's employees and equipment installed for such facility,
23 including kitchen appliances, to the extent that such equipment or
24 appliances are necessary in the use of such facility for purposes of
25 child day care, provided: (1) Such facility is operated under the
26 authority of a license issued by the Commissioner of Public Health in
27 accordance with sections 19a-77 to 19a-87, inclusive, (2) such facility is
28 operated without profit by such business firm related to any charges
29 imposed for the use of such facility for purposes of child day care, and
30 (3) the amount of tax credit allowed any business firm under the
31 provisions of this section for any income year may not exceed fifty
32 thousand dollars. If two or more business firms share in the cost of
33 establishing such a facility for the children of their employees, each
34 such taxpayer shall be allowed such credit in relation to the respective
35 share, paid or incurred by such taxpayer, of the total expenditures for
36 the facility in such income year. The commissioner shall not grant a
37 credit pursuant to this section to any taxpayer claiming a credit for the
38 same year pursuant to section 12-217x.

39 Sec. 3. Section 12-635 of the general statutes is repealed and the
40 following is substituted in lieu thereof:

41 The Commissioner of Revenue Services shall grant a credit against
42 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or
43 212 in an amount not to exceed [sixty] seventy-five per cent of the total

44 cash amount invested during the taxable year by the business firm in
45 programs operated or created pursuant to proposals approved
46 pursuant to section 12-632 for energy conservation projects directed
47 toward properties occupied by persons, at least seventy-five per cent
48 of whom are at an income level not exceeding one hundred fifty per
49 cent of the poverty level for the year next preceding the year during
50 which such tax credit is to be granted, or at properties occupied by
51 charitable corporations, foundations, trusts or other entities as
52 determined under regulations adopted pursuant to this chapter; in
53 employment and training programs directed at youth, at least seventy-
54 five per cent of whom are at an income level not exceeding one
55 hundred fifty per cent of the poverty level for the year next preceding
56 the year during which such tax credit is to be granted; in employment
57 and training programs directed at handicapped persons as determined
58 under regulations adopted pursuant to this chapter; in employment
59 and training programs for unemployed workers who are fifty years of
60 age or older; in education and employment training programs for
61 recipients in the temporary family assistance program; or in child care
62 services. Any other program which serves persons at least seventy-five
63 per cent of whom are at an income level not exceeding one hundred
64 fifty per cent of the poverty level for the year next preceding the year
65 during which such tax credit is to be granted and which meets the
66 standards for eligibility under this chapter shall be eligible for tax
67 credit under this section.

68 Sec. 4. Section 12-635a of the general statutes is repealed and the
69 following is substituted in lieu thereof:

70 The Commissioner of Revenue Services shall grant a credit against
71 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or
72 212 in an amount not to exceed [forty] fifty per cent of the total cash
73 amount invested during the taxable year by the business firm in
74 community-based alcoholism prevention or treatment programs
75 operated or created pursuant to proposals approved pursuant to

76 section 12-632.

77 Sec. 5. (NEW) Any S corporation, as defined in section 12-216 of the
78 general statutes, which paid tax under chapter 208 of the general
79 statutes for income years prior to January 1, 2001, shall be eligible for
80 the credit available under sections 12-633, 12-634, 12-635 and 12-635a of
81 the general statutes, as amended by this act, for any investment made
82 under said sections after January 1, 2001, but prior to January 1, 2006,
83 and may carry back such credit against any such tax paid for any or all
84 of the five income years immediately preceding the calendar year of
85 such investment. The Commissioner of Revenue Services shall treat such
86 credit as an overpayment and shall pay the S corporation the amount of
87 such credit, without interest, to the extent of any such taxes paid by the S
88 corporation. Such credit may not exceed the total amount of taxes paid
89 under said chapter 208 for the five income years immediately preceding
90 the calendar year of such investment. All provisions of chapter 228a of
91 the general statutes including, but not limited to, the provisions which
92 limit the amount of credits and eligibility for credits, shall apply to an
93 S corporation seeking a credit under this section.

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Loss

Affected Agencies: Department of Revenue Services

Municipal Impact: None

Explanation**State Impact:**

The bill is anticipated to result in a General Fund revenue loss of approximately \$500,000 per year. Since S corporations are eligible to claim credits for donations made after January 1, 2001 and before January 1, 2006 losses will occur between FY 02 and FY 06.

To the degree that increasing the tax credit benefits under the Neighborhood Assistance Program makes it more attractive for businesses to participate in the program, then the competition for tax credit allocations among nonprofit organizations will increase. The Department of Revenue Services allocated \$5 million in tax credits for 1999 and 2000 (the full amount under the current cap) for the Neighborhood Assistance Program.

OLR Bill Analysis

sSB 1388

AN ACT CONCERNING THE NEIGHBORHOOD ASSISTANCE ACT.**SUMMARY:**

This bill increases the size of business tax credits available for donating money to Neighborhood Assistance Act programs from 40% to 50% of the donation for most programs and from 60% to 75% for certain energy conservation and employment and training programs.

It also allows subchapter S corporations to continue to take corporation tax credits for donations to Neighborhood Assistance Act programs even though they are no longer subject to the tax. It does so by allowing them to apply credits for future donations to corporation taxes they paid in any of the preceding five years and to receive a tax refund equal to the credit. The revenue services commissioner must treat these credits the same as other tax refunds except that they are not subject to the 0.66% monthly interest payable on late tax refunds.

S corporations are eligible for the refundable credits for donations made after January 1, 2001 and before January 1, 2006.

Both the increased credits and the refundable credits for S corporations remain subject to existing annual limits of \$75,000 in credits for one business and \$5 million for all businesses. The bill also retains the current \$250 minimum contribution eligible for a credit and the annual limit of \$150,000 in aggregate donations to a single nonprofit organization.

EFFECTIVE DATE: October 1, 2001

NEIGHBORHOOD ASSISTANCE ACT CREDITS***Regular Credits***

The bill increases the tax credit, from 40% to 50% of the donation, a

business can receive for making a cash donation to the following types of programs designated by municipalities:

1. neighborhood assistance,
2. job training or education,
3. community services,
4. crime prevention,
5. energy conservation,
6. construction or rehabilitation of low- and moderate-income housing,
7. open space preservation,
8. child care facilities for its employees, and
9. community-based alcoholism prevention or treatment programs.

Higher Credits

By law, donations to certain types of programs are eligible for larger tax credits. The bill increases these credits from 60% to 75% of the cash donation. The larger credits are available for donations to the following categories of programs designated by municipalities:

1. energy conservation projects directed toward properties occupied mostly by low-income people or by charities or other entities meeting qualifications specified in regulations adopted by the revenue services commissioner;
2. employment and training programs directed at low-income youth, handicapped people as specified in regulations, or unemployed workers age 50 and over;
3. education and employment training programs for welfare recipients;

4. child care; or
5. other programs serving mostly low-income people that meet the eligibility standards specified in regulations.

BACKGROUND

Taxes Covered

Neighborhood Assistance Act credits may be taken against corporation and insurance premium taxes, and taxes on air carriers; railroads; express, telegraph and cable, and cable TV companies; and utilities.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 30 Nay 14